

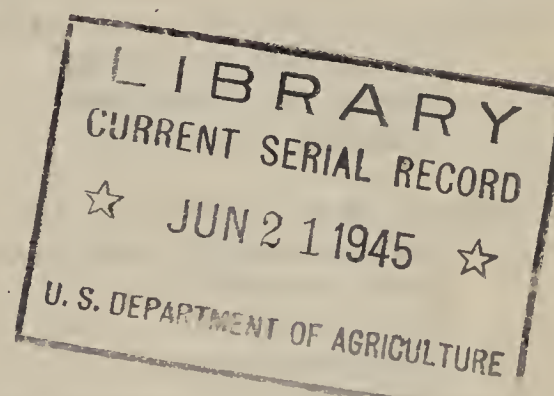
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THE ANNUAL REPORT  
OF THE  
FARM SECURITY ADMINISTRATION  
1943-4



UNITED STATES DEPARTMENT OF AGRICULTURE  
WAR FOOD ADMINISTRATION

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# THE ANNUAL REPORT OF THE FARM SECURITY ADMINISTRATION 1943-44

To more than one-third of a million families operating farms in 1943-44, the Farm Security Administration was the only source of the particular kind of assistance they needed to go forward toward rehabilitation and farm ownership.

Through FSA services, especially designed for small farmers who cannot obtain adequate financial help anywhere else, these families made definite headway toward their goals. With suitable credit and individualized on-the-farm guidance, they improved and expanded their work, raised larger crops and more livestock, increased their earnings, and were able to make heavy payments on their loans.

Many achieved rehabilitation and were able to continue farming without further assistance, making it possible for 22,922 families, not previously aided, to start in the rehabilitation program. Another 3,369 families, with no prospects of becoming farm owners in any other way, received farm purchase loans under terms of the Bankhead-Jones Farm Tenant Act of 1937. In the West, 1,019 farmers and ranchers obtained loans for water facilities.

As the year ended, 348,502 rural families were active in the rehabilitation program. The number of former tenants, sharecroppers and farm laborers who had been helped to start on the road to farm ownership totaled 36,426. More than 10,000 Western families were being benefited through water facilities loans and technical assistance.

Farm Security in 1943-44 continued to assist groups of low-income farmers desiring to arrange prepayment plans for medical, surgical, hospital or dental care. Loans and guidance were given to help groups of neighboring farmers obtain the joint use of relatively expensive items of farm equipment or high-grade sires which could not be owned and used on a practical basis by one farmer. Tenant families were aided in improving tenure arrangements. Farmers burdened with obligations beyond their ability to pay were offered debt adjustment services as in former years, although fewer families were in need of this kind of help.

The resettlement projects which have been under FSA management were being liquidated through sales of the project units to private owners. Thus many of the low-income rural people who have been living on the projects are achieving ownership of family-type farms.

Throughout the year particular attention was given to the study of how FSA's nationwide rural rehabilitation and farm ownership activities, as well as the water program in the West, could be carried on with greatest effectiveness. These major phases of Farm Security work form the backbone of the program to help low-income farmers do a more efficient job of farming and earn a better living. They hold great promise of service to the returning servicemen and demobilized war workers who will turn to farming after the war and will need credit and other aid in making a sound start in agriculture.



## ADJUSTMENTS IN CURRENT OPERATIONS

Certain adjustments in operations were made during the year, as the result of discussions held during the previous year when a Congressional committee (the Select Committee of the House Committee on Agriculture to Investigate the Activities of the Farm Security Administration) began an appraisal of the agency's work. In general these operating changes were designed (1) to place more responsibility for the program on the County FSA Committees of local farmers; (2) to bring about further economies in administration; and (3) without subordinating human values to dollar values, to put more emphasis on sound loans based on realistic farm and home plans.

*Administrative Changes:* Mr. Frank Hancock of Oxford, North Carolina, was appointed Administrator of the Farm Security Administration on November 8, 1943. Shortly afterward, on November 22, he expressed his views on the agency's responsibilities in a statement before the Select Committee in which he said in part:

"To allow our family farmers to slip into landlessness and become work gangs, as many of them did during the depression, dependent on the work offered by a relatively few landed overlords, would be national tragedy. .... The task of the Farm Security Administration, therefore, is to provide family farmers with the type of assistance they need to overcome their handicaps, and to enable them to obtain the credit, the managerial guidance, and the services that bring to farm and home efficient methods and machinery, health and sanitation, so that they can increase their production, improve their living, and rehabilitate themselves. Along such a road those who persevere can expect to achieve self-made security with its ultimate goal of farm ownership. .... I expect this work to be put on a sound practical basis and to be directed by the head as well as the heart."

Five months later, on April 27, in a statement before the House Committee on Agriculture Mr. Hancock summarized the administrative measures he had instituted. He pointed out that greater emphasis had been placed on the importance of extending aid to families who would help themselves through their own thrift, industry and enterprise. Limits had been placed on the size of rehabilitation loans and the length of time for their repayment, and renewed emphasis was given to the need for better farm and home management practices, increased earning power and better money management as essential in attaining rehabilitation. Grants were authorized only in cases of real emergency to prevent human suffering, or in furtherance of health and medical care programs.

To protect families from assuming debt obligations beyond their ability to pay, new policies were adopted concerning the liquidation of resettlement projects. Methods found successful in making farm ownership loans were being followed in selling the Government-owned project farms to individuals, and sales were limited to families whose financial assets were greater than their liabilities.

In the face of rapidly rising farm real estate prices, special emphasis was placed on the necessity of approving farm ownership loans only when the price of the land to be purchased was in line with its long-time earning capacity.

*County FSA Committees:* At the beginning of the fiscal year, one County FSA Committee of three successful farmers was set up in every rural county to advise the local FSA supervisor in carrying on the program in the community. Each new committee assumed the duties that were previously divided among two or more local FSA committees, including such responsibilities as the approval of applicants to receive farm ownership loans and of the farms to be purchased, and assistance in tenure improvement and debt adjustment activities in their respective counties. In addition, the committee-men were given responsibility for determining the eligibility of applicants for rehabilitation loans and for reviewing the progress of borrowers whose loans had been outstanding three full crop years or longer.

The purpose of the committee's review is to determine whether borrowers have reached a financial position that enables them to obtain future financing from other



sources, whether they have prospects of ultimate rehabilitation and should continue to receive FSA assistance, or whether there is no hope of rehabilitation and they should be dropped from the program.

*Proposed Legislation for FSA:* After continuing its appraisal of FSA work for nearly a year, the Select Committee (known as the Cooley Committee) on March 13, 1944, introduced a bill (H.R. 4384) to provide permanent legislation for assistance to low-income farm families. Based largely on information obtained by the committee, the bill provided for the continuation of rehabilitation and farm ownership loans through an agency to be known as the Farmers' Home Corporation. (The Bankhead-Jones Farm Tenant Act of 1937 had provided that a Farmers' Home Corporation be established; the board set up under that authorization served in an advisory capacity only, for a short time, and then ceased to function.) The bill proposed that the Corporation would also administer two types of emergency loans presently handled by the Farm Credit Administration, and would have the added function of insuring loans made by private credit agencies to tenants for the purchase of farms.

The bill was referred to the House Agriculture Committee for hearings.

The Cooley Committee's findings during its investigation were summarized in House Report No. 1430, submitted May 9. This report gave general approval to the FSA rural rehabilitation and farm ownership programs, as follows:

"Small operators, as well as big operators, need teams and tools, and food and clothing for their families, so that they can make the most out of their work. These farmers need reasonable interest rates and reasonable time to pay the money back without having their property taken away from them. So that part of the Farm Security Administration program which made it possible for low-income farmers to borrow reasonable amounts of money at fair interest rates and on fair terms, when such funds are not available from private or cooperative sources, has the full support of the Select Committee.

"Many farm people have not had a chance to learn about new short cuts and savings in farming. They have never had a chance to go to school or to read much about some of the new ideas in agriculture. That part of the Farm Security Administration program which makes it possible for these low-income farmers to raise better crops, get more for what they sell, save on what they buy, and for their wives to learn more about canning and saving food and caring for the health of their children is worthy of consideration.

"Another valuable part of the Farm Security Administration program has been the making of loans to enable tenants, sharecroppers, and even farm laborers, to buy and keep farm homes of their own. The Select Committee wants to see the tenant-purchase plan expanded in order that more good farmers will have an opportunity to buy farm homes."

The report also stated: "The investigation discloses that the tenant purchase program as such has been operating efficiently and has resulted in many worthy citizens being placed definitely on the road to farm-home ownership. .... The tenant-purchase program, operating as it has, through local committees of farmers, has been successful and should be continued and expanded in the interest of worthy citizens who cannot otherwise arrange to finance the purchase of family-size farm units and who without such assistance may never become farm owners."

The committee pointed out that the national advantage in Government assistance to low-income farmers "does not arise solely from humanitarian motives." The report stated: "This assistance reduces the demands for private and national relief. It adds to the total wealth and revenue of the country by increasing the per capita income and resources of the farmers. It makes for a better citizenry and therefore, for law and order. Finally, it has aided substantially in the war effort because of the sizable contribution these low-income farmers have made to the national supply of commodities essential for civilian and war needs."



Criticism was expressed, however, of the resettlement projects under FSA management.

Hearings on H. R. 4384 were held by the House Agriculture Committee, and the bill then was referred to the Select Committee for further study. After additional consideration in conferences, it was revised--mainly in administrative provisions--and was reintroduced on May 24 as H. R. 4876. On June 23 it was reported out, with amendments, by the Agriculture Committee with an accompanying report (No. 1747) recommending its passage. As the fiscal year ended the measure was awaiting scheduling for consideration by the House of Representatives.

## PROGRESS MADE IN 1943-44

### Rural Rehabilitation

Many low-income farmers have never learned the best methods of planting and cultivating their crops, of feeding livestock, or of doing the other tasks necessary to operate a farm successfully. They are inexperienced in planning and following through with a sound farming program. Some have been using methods learned from previous generations--usually inefficient and often primitive. Some lack the resources of land, as well as the capital and skills, needed for sound, profitable farming. Others are burdened with debts accumulated through years of unsuccessful operations or resulting from crop failure, catastrophe, or sickness in the family. It is these farmers that FSA's supervised-credit plan is designed to help.

It was plain from the beginning of rural rehabilitation that credit alone would not solve the complex problems of low-income rural families. The Government could not safely make loans to farmers who had little or no security to offer except the willingness to work and the hope for success--unless they also were provided with practical advice and individual supervision needed to remove the causes of their past difficulties.

Farm Security's rural rehabilitation services are designed to help small farmers to progress by their own efforts toward a more secure position in agriculture and to become more useful citizens in their communities. Rehabilitation loans are made for the purchase of livestock, equipment, seed, feed, fertilizer, for family living expenses, for medical care, and for other costs necessary to enable the borrowers to carry on a sound farming operation. These loans bear 5 percent interest, and are to be repaid in from one to five years, depending on the purposes for which they are made and the ability of the family to meet repayments. They are secured by a mortgage on the crops grown and on the livestock, equipment and other chattels owned by the families, or purchased with the loan funds. About 870,000 families have received loans of this kind.

Each loan is based on a farm and home plan worked out by the borrowers with the assistance and advice of the supervisor. The plan provides for the best use of the land, labor, skills, abilities and other resources of the farmer and his family. An attempt is made to fit the plan to the specific needs of the individual family. The plan provides for the production of sufficient cash crops or livestock, or a combination of the two, to meet the farm operating and family living expenses, and for the retirement of debts.

Borrowers are encouraged to produce as much as possible of their food and family living needs and feed for the livestock, as a means of reducing cash expenditures and at the same time promoting a higher standard of living. Health is improved through production of an adequate garden, ample home canning and storage of food, guidance in meal planning and nutrition, production of subsistence livestock for home requirements, and maintenance of a pure water supply and sanitary facilities.

Before a plan is developed and a loan approved, it is necessary that careful consideration be given to the tenure status of the family. In many areas it has not been customary for tenants to enter into written leases with their landlords. Furthermore, it has been the practice in some parts of the country to limit leases to one year. But with short-term leases it is difficult, if not impossible, for tenants to carry on



well-balanced farming. Too often the land is used inefficiently and without full benefit to either land-owner or tenant.

The FSA recognizes that insecure tenure is an obstacle to rehabilitation. Before a loan is made, the family must obtain an acceptable lease on land that is adequate, both as to type and acreage. The FSA encourages written leases which provide for rents fair to both the tenant and the landlord and which extend for more than one year. Approximately 85 percent of the tenant families on the rehabilitation program now have written leases, many of them covering periods of from two to five years.

Another factor that has barred farmers' progress is accumulation of debts beyond ability to pay. The Farm Security Administration has attempted to serve debt-burdened farmers by arranging for them to meet with their creditors in an effort to reach a mutual understanding of their problems and to work out voluntary agreements for the adjustment of such debts. Since the beginning of the program, FSA committees and supervisors have assisted 188,696 farmers in working out agreements with their creditors for adjustment of debts. This service has enabled many farmers to avoid bankruptcy and forced sale of their possessions. Through this assistance many farmers have been able to continue their farming operations and to repay debts which otherwise might not have been paid. Since 1935, as a result of the services offered by the FSA, creditors have voluntarily reduced farmers' debts from \$506,009,158 to \$396,157,364--about 22 percent. The demand for debt adjustment services has declined during the last year or so, because of farmers' improved financial condition.

However, during the war, despite generally improved agricultural prices and farm incomes, there has been an increasing demand on the part of small farmers for rural rehabilitation assistance. Practically all of the \$67,500,000 authorized for rural rehabilitation loans in 1943-44 was loaned by the end of February. Many applications could not be handled because of lack of funds. Though the authorization was \$30,000,000 less than in the previous year, every effort was made to spread the available funds to as many eligible families as possible, consistent with sound lending and sound farming practices.

As of June 30, 1944, a total of 348,502 families were active on the rehabilitation program. Of these, 22,922 received loans for the first time during the fiscal year. Their loans averaged \$1,011, which is slightly higher than the previous year's average initial loan, because of higher prices for goods and supplies the borrowers needed to buy, and because of the wartime necessity that each family make full use of his land and labor and increase production of essential farm products to the maximum.

Supplemental loans averaging \$316 were made to 137,776 families who had started their rehabilitation in previous years and needed additional credit to expand their operations, meet current operating expenses and continue their progress as planned.

The accomplishments of rehabilitation borrowers are significant from many angles. These families are attaining better health and better living standards. Through more stable tenure, sound planning of enterprises, and improvements in farm and home management practices, they are achieving greater security on the land and a more useful place in agriculture. They are participating--many of them for the first time--in community affairs and in other local agricultural programs. Many cooperate with the Soil Conservation service to prevent soil erosion and provide water control on their farms, work with the Forest Service in the care of farm woodlots, and take part in activities of the Extension Service and the AAA.

Records show they have increased their working capital, made substantial repayments on their loans, and are raising more crops and livestock with greater efficiency.

The average net worth of families using rehabilitation services in 1943 was \$2,301 at the end of the crop season--considerably higher than the average net worth of \$1,242 shown in an earlier study made of families who were on the program in 1941. Much of this gain has resulted from better methods and better use of land, although the figures also reflect the higher wartime prices for farm products.



Production of food for home use has increased, with resulting improvements in family health and well-being, and reduction in cash expenses. The average amount of meat and milk produced for home use has almost doubled. Home canning likewise has increased. In 1943, the canning average was 305 quarts of vegetables and fruit per family; whereas the 1941 survey indicated 139 quarts as the average amount canned in the year before the families obtained FSA assistance.

Notable gains in production of essential war crops and livestock were shown in 1943, as in the previous year. A survey of 1943 production records of the 311,874 rehabilitation borrowers who operated farms in both 1942 and 1943 showed they had made increases in five war-essential food and oil crops that ranged from 14 to 65 percent over their 1942 production. They also increased their cash marketings of livestock and livestock products. In 1943 they sold 56 percent more hogs than the year before; 43 percent more cattle and calves; 30 percent more sheep; 18 percent more milk; 47 percent more chickens; 32 percent more eggs.

As of June 30, 1944, principal repayments on rehabilitation loans amounted to 89.2 percent of the amounts that had come due, which is considered a remarkable record for low-income farmers without other sources of credit. Since 1935, rehabilitation loans have totaled \$843,243,890. Of the \$543,788,904 due on June 30, 1944, borrowers had repaid \$484,957,193, and in addition, had paid interest of \$67,661,935. The total amount of principal and interest collected was 65.5 percent of the amount that had been advanced in loans. (Loans advanced from State Rural Rehabilitation Corporation trust funds are not included.)

#### Farm Ownership

Farm ownership loans under the Bankhead-Jones Farm Tenant Act of 1937 were approved during the year for 3,369 eligible farm families. The county FSA committee made certain in each case that the price of the land was based on a sound appraisal of what it would earn over a period of years, thus safeguarding the family against future inability to meet the payments.

In certain areas the making of new loans was limited during the past year. There were no satisfactory farms for sale in some counties at prices the local committees could approve, or that would come within the price limitation clause of the appropriation act.

Since funds are allocated to the States on the basis of farm population and prevalence of tenancy, the funds which were not loaned in States where land values were generally high could not be shifted to other States which readily could have used more than their allotment in making sound loans. Therefore the FSA did not borrow from the Reconstruction Finance Corporation the full \$30,000,000 which had been authorized for farm purchase loans. Loans approved totaled \$22,414,614.

Building restrictions due to the war also prevented the making of some loans. For example, some eligible applicants found good land at suitable prices, but without houses or farm buildings, and arrangements could not be made to construct them. Or available buildings were too dilapidated for use, and improvements were not possible during the war. As the year ended, 73,538 applications for loans were on file in the county offices--more than 20 for each loan that was made.

Although causing some difficulties, the war period is redemonstrating the value of the farm ownership program, and the merit and strength of the family-type farm in the national economy. All over the country there have been labor shortages on large-scale farms. On very small, inadequate farm units, manpower has been wasted. On the family-type farm, however, the right balance between land and labor has generally prevailed.

This balance between land and labor is basic in the FSA farm ownership program. The loans are made only for farms that afford the operators and their families productive employment without depending on outside help--farms large enough to provide a



good living and enable them to pay farm operating expenses while repaying the loans. Last year the average farm purchased in this program was 132 acres.

The borrowers have 40 years in which to repay their loans in annual installments, with interest at 3 percent on the unpaid balance. The great majority use the variable-payment plan, under which the size of each borrower's annual payment is determined by his year's income. All the loans made in the past three years are being repaid according to this plan. The families pay larger amounts in years when their incomes are higher, so they can pay smaller amounts in years of low income, but their payments average out so that the loans will be paid in full at the end of 40 years or less.

To help the families get a good start on the farms they buy, Farm Security provides them the same services that are available to those who receive rehabilitation loans. Supervisors give on-the-farm advice and guidance in farm and home management, help farmers plan so as to conserve the soil and earn maximum returns. These borrowers also receive the other kinds of assistance offered by FSA, participating in neighborhood group services and county medical care plans along with the families who are on the rehabilitation program.

In the seven years of the farm ownership program, loans have been approved for 36,426 families. Many of them first came to the FSA as applicants for rehabilitation assistance, and after acquiring more stock, equipment, operating capital and farming skill over a period of a few years, have qualified for farm purchase loans. The average amount of the loans, for all years, is \$5,829. Borrowers are making rapid progress in building up equities in their property, in increasing their net worth, in improving land and buildings. By June 30, 1944, 757 loans had been completely repaid, long before the end of the allotted 40 years. Some repayments were made entirely from farm earnings, others with the help of income derived from various sources. Two hundred twenty-one were repaid with money received from the sale of their farms, many of this number having been in areas purchased by the Government for military purposes.

In these early years of the farm ownership program, valuable experience has been gained that will make this service of even greater benefit to farm families in the future. The techniques worked out should also prove helpful in aiding war veterans who intend to farm, and in avoiding some of the conditions that existed following the first World War when servicemen sought to re-establish themselves in civilian life. Progress has been made in working out best methods of selecting families and of appraising farms. Much has been learned about the construction of suitable farm homes and work buildings at minimum cost. The variable-payment plan has shown its effectiveness in helping families provide a greater margin of safety on their loan payments during recent years of generally favorable income.

This margin of safety widened in the last fiscal year. Of the 36,426 borrowers, 31,220 had been on the program long enough to have payments due by the end of 1943. At the close of the grace period, March 31, 1944, the 24,822 families using the variable-payment plan had repaid \$9,320,712 more than would have been due on a fixed 40-year payment schedule. This represents a 65 percent margin, a considerable gain over the comparable figure of the previous year, which was 37.2 percent.

Some variable-payment borrowers were making more satisfactory progress than others. For example, 57 percent were ahead of schedule by an average of \$744. Eighteen percent were making payments exactly at the rate which will retire their debt in 40 years. Twenty-five percent were behind schedule by an average amount of \$210.

Including the 6,398 families who did follow the fixed-payment plan, the 31,220 borrowers as a group had paid 48 percent more than would have been due on the 40-year amortization basis, the survey of March, 1944, showed.

Loans approved in this program since 1937-38 totaled \$211,844,323 as of June 30. Total collections amounted to \$43,472,282. Of this amount, \$31,808,159 was in principal and interest applied on maturities; \$8,882,291 was in extra payments, including proceeds from the sale of timber or other mortgaged property, and refunds on loans; \$2,458,598 was in installments paid before they were due; and \$323,234 was in unapplied remittances.



## Water Programs

The Farm Security Administration has responsibilities in connection with two Western water programs. They differ greatly in methods, but have the same fundamental purpose--better use of land and water to make possible better and more productive farming on family-type farms and ranches in the arid and semi-arid parts of the 17 Western States. They are:

1. The Water Facilities Program.

The Water Facilities Act of 1937 (Pope-Jones Act) authorized the Department of Agriculture to provide this service. Farm Security has been designated by the Secretary of Agriculture to supply the necessary technical guidance and make loans to farmers and groups of farmers to enable them to provide dams, windmills, tanks, and other types of installations on their individual farms and ranches.

2. The Water Conservation and Utilization Program.

Authorized by the Wheeler-Case Act of 1939 and other legislation, this is a long-time program of area development handled jointly by the Department of Agriculture and the Department of the Interior. Its purpose is to make possible the establishment of economic farms in areas formerly dry-farmed or inadequately irrigated, through construction of new irrigation projects or rehabilitation of existing projects. The FSA is administratively responsible for carrying out the Department of Agriculture's part of the work, including land purchasing when necessary, improving the land preparatory to irrigation, arranging for settlement on a sound agricultural basis, and extending farming guidance and advice to settlers. Construction of irrigation facilities is done by the Bureau of Reclamation of the Interior Department.

*Water Facilities:* During 1943-44, water facilities loans were made to 1,019 individual families urgently in need of water supplies to carry on efficient farming. In many cases, farmers threatened with loss of the season's production because of flood or landslide damage to water facilities or the breakdown of reservoirs and dams obtained emergency loans for the necessary repairs.

Loans were approved also for 11 associations; funds for three association loans were obligated by June 30, and funds for the other eight were to be obligated in 1944-45.

The loans approved during the year for water facilities amounted to \$789,853. More than 2,000 facilities were built or repaired, or were under construction as the year ended.

Individual loans have been made to 6,848 farmers and ranchers. About 4,000 more have been assisted through loans to groups. Sixty water facilities associations have obtained direct loans, and more than 40 others have been helped through loans to members. Altogether, 14,595 facilities have been constructed or repaired, including stock ponds, reservoirs, wells, conduits, diversion dams, pumping installations, windmills, spring developments, water spreaders, stock water tanks, irrigation distribution systems, facilities for flood irrigation, and facilities for recharging underground reservoirs.

More than 9,000 of these were tanks, wells, windmills and pumps for providing stock water, and about 3,000 were irrigation facilities, including 896 new distribution systems, 824 new pumps, and 194 new dams. Diversification, expanded production of livestock, larger gardens, and greater crop yields per acre are some of the results.

The program has demonstrated that in many cases the installation of only a few water facilities transforms uneconomic units into economic farms. The work so far accomplished represents a considerable start toward the long-time objective, but a tremendous job remains to be done in developing and utilizing the water resources of

the West. Because of lack of water, or inadequate development and use of the available water resources on farms, grazing land and forest land, thousands of Western farms and ranches produce below their capacity, national resources are destroyed, land is damaged, living standards decline, and health of families is impaired. The steadily increasing number of applications for FSA water facilities loans and technical assistance is one evidence of the need.

Before any loan is approved, a careful investigation is made to determine the need and practicability of the proposed facility, the availability of water and water rights, and the type of installation needed for best use of both water and land. Loans are made for periods up to 20 years, at 3 percent interest.

Through June 30, \$4,166,237 had been advanced in loans, \$1,198,047 of which had come due. Principal repayments amounted to \$1,311,520, or 109.5 percent of maturities. In addition, \$148,948 had been paid in interest. Grants to individuals and groups in the earlier years of the program totaled \$391,312. No grants were made in 1943-44.

*Water Conservation and Utilization:* Although work has been limited during the war to certain projects where large gains in food production could be achieved immediately, activities increased during the past year. This program will require expansion after the war to provide farms for veterans and others who wish to engage in agriculture.

During the year the President approved six new projects for construction: Bitterroot, Dodson, Intake and Missoula, all in Montana; Post Falls, Idaho; and Balmorhea, Texas. Work was started on all these except Balmorhea, and work also was begun on the previously approved Scofield Dam project and the Newton project, both in Utah. Of the 19 approved projects, work has been started on 14.

When all 19 projects are completed they will provide irrigation water or supplemental water for 1,740 family-type farms, covering 175,425 acres, and will also contribute to the rehabilitation of many families on adjoining land. Of the land involved, 91,000 acres had never been irrigated and 84,425 acres has had inadequate irrigation.

Development of 23,000 acres of the previously unirrigated land has been completed, with 18,000 acres of it irrigated and planted to crops in 1944. The rest was dry-farmed or farmed under partial irrigation.

In addition to the projects approved, many others proposed have been investigated for possible future development.

Workers from two Civilian Public Service camps have been assigned to the Farm Security Administration and have assisted in land development work during the past two years. Before the war, construction work on the projects was done with the help of workers from the Work Projects Administration and the Civilian Conservation Corps.

### Group Services

As in previous years, Farm Security borrowers were encouraged to work with their neighbors in meeting such problems as lack of heavy machinery and need for better quality livestock. With FSA assistance, 1,499 "group services" were established during the year serving 8,487 families. In each group members pooled their funds to buy equipment or blooded sires which none of them could afford to own and use individually. About 1,000 of the groups obtained tractors, trucks for picking up milk, threshers, peanut pickers, or similar equipment. Some 400 purchased high-grade sires for improving quality of their livestock.

These groups are informal and unincorporated. Their members are neighbors who have entered into an agreement to share the use of needed facilities. Membership includes both FSA borrowers and other family-type farm operators of the neighborhoods who wished to join.

Farm Security made group service loans, on an individual basis, to families who needed financial assistance in order to pay their share of the cost, and offered advice



and guidance, as requested, in working out plans for obtaining and using the facilities. No financial help was needed in connection with about 40 percent of the group formed in the last year. The amount advanced in group service loans was \$635,600.

Including these newly formed groups, about 17,000 group services were in operation last year. A large proportion of the farmers who had borrowed from the FSA to participate in them have repaid the loans in full, and their groups have obtained the experience necessary to continue their activities without further help from FSA supervisors.

The war emergency has stimulated group action of this kind, while farm organizations and agricultural agencies have urged it. Scarcity of farm machinery, coupled with general increases in acreage of essential war crops, emphasized the importance of utilizing every item of equipment to its full capacity. Further, small farmers do not produce in quantities that justify large investments in specialized machinery.

Farmers with small herds which do not justify individual ownership of high-grade sires are aware of the possibilities of obtaining sires on a joint ownership basis with their neighbors. Group ownership is helping them obtain blooded stock at a price they can pay, and is also making artificial insemination more practical.

### Cooperative Associations

In accordance with the instructions from Congress contained in the Agriculture Appropriation Act of 1944, the Farm Security Administration made no loans during the fiscal year for the establishment of cooperative associations or for the purchase of shares of stock or membership in existing cooperatives. (Water facilities associations financed by Pope-Jones funds, and medical care groups were continued in accordance with the authority granted by the Congress. They are discussed in separate sections of this report.)

The FSA continued to advise and supervise those associations already in existence which had received FSA assistance at the time they were organized. The vast majority of the 1,570 associations receiving FSA supervision as of June 30, 1944, were actively engaged in normal operations; the balance were in process of liquidation. (These do not include health associations or associations to which water facilities loans were made from Pope-Jones funds.) Of the 584 associations which had received direct loans since the beginning of the FSA program, approximately 400 received some type of supervision during the fiscal year, the others having already paid out or liquidated completely. They include county purchasing and marketing associations, veterinary associations, cooperative creameries, canneries, grain and vegetable storage plants, cotton gins and farm supply houses set up to aid small farmers. Also included are land management and other types of cooperatives which were established in earlier years in connection with the resettlement projects now in process of liquidation.

The policy during the year was to give advisory assistance and to make collections on outstanding loans for the distinct purpose of so strengthening the associations that they could operate with an ever-decreasing amount of guidance, repay their obligations, continue to serve low-income farmers, and obtain financing from other sources at the earliest possible date. This policy will be continued. The associations will be encouraged to put their operations on the soundest possible basis so that they serve effectively as tools of rehabilitation. Those co-ops which do not appear to have reasonable chances for future success are being liquidated as expeditiously as possible.

Loan advances to cooperative associations (other than from Pope-Jones funds) totaled \$20,692,570 as of June 30, 1944. Of the \$4,608,380 which was due in principal on the same date, \$4,446,790 or 96.5 percent had been paid. Interest collections amounted to \$1,659,617. (These figures do not include water facilities loans, discussed on page 8.)

The transfer to the Federal Public Housing Authority of those associations composed of residents on subsistence homesteads projects was completed September 30, 1943.



The land and other property on these 42 non-farm projects had been transferred to the FPHA one year previously, in accordance with Executive Order 9070. Sixteen of the associations had received FSA loans some years ago, and their loan accounts are now under the housing agency for servicing and collection. These 16 associations had borrowed \$4,954,190 of which \$146,035 had been repaid by the transfer date.

### Health Services

As an aid to both rehabilitation and increased food production, the FSA continued its medical care program for needy farmers. This work was begun in the early days of rural rehabilitation when it was recognized that unforeseen expenditures for emergency medical care, or the chronic illness of some member of the family, frequently retarded a farmer's progress, or caused him to fail completely. To help low-income rural families obtain medical care at a cost they could afford, the FSA and the State and local medical societies worked out an arrangement that enabled families in a county or district to form a group and prepay annual fees into a pooled fund to cover the group's medical and related bills. Started in eight counties in 1935-36, the plan expanded rapidly, and by the start of the war, FSA health service groups had been set up in more than 1,000 counties. Membership is voluntary, and the members have free choice of participating physicians or dentists or hospitals.

Because of difficulties caused by the critical wartime shortage of physicians and dentists, few new medical care groups were developed during the fiscal year. FSA has spent its main effort in strengthening those already organized, and in some expansion of hospitalization and surgical service groups. Membership fees were made higher in many places to insure the financial solvency of the groups.

The new hospitalization and surgical care groups were arranged to cover groups of counties, rather than single counties, thus opening the way for the development of the whole program on this broader basis which insures greater stability. The proportion of all the group members having hospitalization available rose from 62 to 85 percent, and the proportion having surgery available rose from 52 to 62 percent during the fiscal year.

Closer cooperation was sought with local health agencies to bring preventive services to association members. In several areas, furthermore, families not on the FSA supervised credit program were admitted to membership, not only to extend to them the benefits of the group health plans, but also to put the groups on a sounder actuarial basis. Four percent of the members of groups offering physicians' service were non-borrowers as of June 30, 1944, compared to only 2 percent a year previously.

The FSA also encouraged the extension of existing group hospitalization plans, such as the Blue Cross plans, into rural areas so that FSA borrowers could have the benefit of them. Arrangements were in effect at the end of the year with Blue Cross plans in seven States to provide hospital service to members of FSA hospitalization groups ordinarily at rates below the standard Blue Cross rates; reduced rates were given in recognition of the fact that fewer hospitals are available in rural areas and rural members use hospitals less.

In Taos County, New Mexico, the FSA continued its special health program planned to meet the particular needs of this problem area. Taos County in 1940 had the highest infant mortality rate in the Nation; farmers' gross incomes averaged only \$307, and two-thirds of them received less than \$250. By 1942, only two physicians and one dentist were available to serve the population of approximately 18,000. Moreover, the doctors were not readily accessible because of the distances between the town of Taos and the rural homes. Superstition was a further barrier separating the Spanish-American people of the county from medical care.

Local interest in the limited medical care plan which had been developed previously by the FSA led in 1942 to the organization of the Taos County Cooperative Health Association offering fuller services to a greater number of families. The association employed a physician as medical director, and also engaged the services of a part-time



surgeon and a full-time dentist. Three health centers were opened at convenient points and were staffed with nurses who assist when one of the physicians makes his periodic visits and carry out his instructions for care following his visits. The nurses also are responsible for community nursing service and for seeing that emergency cases are transported to the hospital in station-wagon ambulances. During the past year the medical staff was supplemented by two Mexican interns who work under the supervision of the medical director.

More than 1,100 low-income rural families were members of the association last year. Their membership fees are supplemented by grant funds from FSA. The volume of health services they receive now compares favorably with that received by rural people in general. A report made in March, 1944, by the Bureau of Agricultural Economics pointed out that Taos County mothers were receiving far more prenatal and postnatal care and better hospitalization than ever before, and that patients were going to a doctor oftener and earlier, and were making more use of all health facilities.

A special health services program was also arranged in Southeast Missouri, through an association serving FSA borrowers in six counties. This corner of the State has few physicians, few hospital beds in proportion to its population, and the infant mortality rate in the area in 1939 was far greater than for Missouri as a whole. The FSA has used grant funds to provide supplemental services beyond those which the association can provide from the amounts received in members' fees. Community nurses serving as part of the association's professional staff assist families in developing correct health habits, and aid in bringing to the doctors' attention those cases needing their care. A dental trailer, staffed with a dentist and assistant, travels through the counties providing much-needed dental treatment for children. Membership in the association was 642 families at the end of the fiscal year.

On June 30, FSA health service plans were in operation in 1,012 counties in 39 States and Puerto Rico, with total membership of 70,398 families or 363,443 persons. Except for the few special plans which received grant funds, all paid their way with the membership fees. In 782 of these counties general practitioners' services were offered either alone or in combination with surgery, hospitalization, drug service, or dental care; in 460 counties, surgery was included; in 374, hospitalization; and in 97, dental care. In addition, separate hospitalization plans (some of which also offered surgery) were operating in 319 counties; separate dental care plans in 219 counties; and separate surgical plans in 62 counties.

Although there has been a recent decline in membership of the health service plans, much of this decline is due to improved economic conditions and the associated decline in number of FSA rehabilitation borrowers. In some counties, groups are inactive because some professional people see less reason for group action during a period when purchasing power is higher and demand for health services on a private basis is greater, and when fewer physicians are available in the community. While this situation is regarded as an inevitable result of the war, many observers feel that present conditions have simply uncovered the inherent weaknesses in small voluntary plans limited to relatively few families in each county, all of low income. They believe the present trend clearly indicates the need for developing the broadest community support of rural health groups, with the maximum membership agreeable to professional societies.

As a result of its pioneering experience in the field of rural medical care, Farm Security has been offered increasing opportunities to aid rural leaders in planning health services for the entire rural population. Reports on rural health services from nearly all the States were prepared as one of the activities of the U. S. Department of Agriculture Interbureau Committee on Post-war Programs. Most of these reports pointed to the experience gained and the patterns set in the FSA health program as invaluable for general rural post-war planning.

At the request of the Interbureau Committee, the FSA continued to supervise the "experimental health programs" begun in 1942 by the Department of Agriculture in six selected counties in Texas, Nebraska, Arkansas, Mississippi and Georgia. Five of the

programs were active during the past year. Because of difficulties during its first year which could not be entirely overcome, the Hamilton County, Nebraska, health association discontinued operation.

These experimental plans differ from the FSA plans in that membership is open to all farm families in the county, and more complete services are offered. For these more adequate services, average fees must be higher. Members pay 6 or 7 percent of their net cash incomes toward an annual membership fee of \$40 to \$50, and Federal funds are used to make up the difference between the families' contributions and the total cost of providing health services. Each of the five associations has its own board of directors which employs a full-time manager. County agricultural agents are active in promoting the programs and in advising boards and managers.

The five groups had a total membership of 5,848 families, including 25,726 persons, on June 30. While these undertakings are still too new for complete evaluation, a consideration of their operations so far shows that: (1) the members are receiving a greater volume of health services than is ordinarily available to the rural population; (2) the plans are receiving support from all groups in the communities--public and professional; and (3) the proportion of total costs willingly paid by the members has been gradually increasing.

As a preventive aspect of its rural health activities the FSA also helped low-income farmers to improve sanitary facilities. Grant funds were no longer available for this purpose, but FSA supervisors, with the assistance of local public health officials, encouraged families to construct or repair facilities without financial assistance. During 1943-44, 5,229 privies were built or improved, 3,293 houses were screened, and pure water supplies were provided on 3,713 farms. Since the beginning of this work, privies have been built on about 92,000 farms, screens provided for about 57,800 farm homes, and domestic water supplies protected for about 38,200 families.

The special health program for farm laborers, developed by the FSA in earlier years, was administered in 1943-44 by the Office of Labor, War Food Administration. The basic patterns set under way in this program have proved their value under greatly increased wartime demands.

#### Assistance to Returning Veterans

More than 35,000 veterans of World War I have used the supervised credit facilities of FSA and since 1942 many World War II veterans have turned to the Farm Security Administration for help in getting started at farming. A preliminary survey made late in the fiscal year showed that 3,089 discharged servicemen had applied for loans, and that the FSA had made loans to 1,230.

Thirty-six of them had been approved for farm ownership loans. The others received rural rehabilitation loans for the purchase of seed, livestock, machinery and other essentials, and for the payment of expenses necessary to put their farms into operation.

A large proportion of the applications were received in the spring of 1944 when funds for rehabilitation loans were practically exhausted. As a result some applications were held for consideration until 1945 appropriations became available. A number of eligible veterans could not find land for sale at prices based on its long-time earning capacity.

It is expected that applications from veterans who will need credit to establish themselves as farmers will increase greatly as discharges from the armed forces increase.

The Servicemen's Readjustment Act of 1944 (GI Bill of Rights), approved on June 22, made World War II veterans eligible for the benefits of the Bankhead-Jones Farm Tenant Act to the same extent as though they were farm tenants, provided they are qualified by ability and experience or training to carry out successfully the undertakings required under the loans. The FSA immediately prepared procedures and began making farm ownership loans to such eligible veterans.



## Sale of Resettlement Farms

Private owners by June 30 had received quitclaim deeds to 3,500 of the 9,045 units in the 152 farm projects under FSA management, purchase commitments were outstanding for 2,708 units, and 305 units had been transferred to other Government agencies or sold for cash. There were 2,532 units yet to be sold.

Most of these projects, constituting various sorts of resettlement attempts, had been set up several years ago by the Resettlement Administration in an effort to make good land available to low-income families farming poor land which could not yield them a living. The land for the project farms was generally purchased in large tracts and subdivided into family-size farms, with adequate buildings constructed on each farm. Some, however, were only small subsistence units for non-farm families.

When FSA was created in 1937, all of the project properties were turned over to the new agency for completion, management and eventual sale to families. Such sales started as early as 1937 to a few families who had shown they were capable of assuming the responsibilities of ownership. In 1942, the nonfarming projects were transferred to the Federal Public Housing Authority for operation. In the Agricultural Appropriation Act of 1944, Congress specified that the rural projects be sold to private owners as expeditiously as possible.

Most of the project farms are being sold to the families already living on them, and on terms similar to those applying to tenants who receive FSA farm ownership loans under the Bankhead-Jones Farm Tenant Act. The county FSA committees appraise the farms on the basis of their long-time earning capacity, and determine the eligibility of the buyers. Families have 40 years to complete payments, at 3 percent interest, and use the variable-payment plan. The purchaser receives a deed to the property, and the Government holds a note secured by a mortgage for the unpaid balance.

Property which cannot be made into units suitable for family-type farming is being sold at its present fair market value, or transferred to other Government agencies for other uses.

The cooperative farming associations which had been organized on a few of the projects are being dissolved, and the land is being disposed of either by subdividing into individual units for sale to low-income farmers, or by selling the whole tract as a unit at its fair market value.

## Flood Restoration Program

The Secretary of Agriculture designated the Farm Security Administration as the agency to administer the program for assisting farmers whose crops or property were destroyed or damaged by the 1943 floods. From a \$15,000,000 appropriation made by Congress for loans and grants for this purpose, 3,338 loans were made in designated counties amounting to \$1,918,711.

Two kinds of credit were offered: production loans, for periods up to ten years; and real estate loans, for periods up to 20 years. All but 16 of the loans made were for production purposes.

Collections during the year amounted to \$66,292 in principal and \$1,132 in interest.

Toward the end of the fiscal year, Congress extended the unused balance of the first appropriation to provide assistance to farmers whose farms were damaged by flood or windstorm in 1944. Not more than \$1,000,000 of the amount was to be used for restoring windstorm damage, and not more than \$3,000,000 was to be used for grants to needy families.